

# Public Notice for Disproportionate Share Hospital Distribution Reimbursement

Public Notice

Dec. 20, 2017

The Cabinet for Health and Family Services, Department for Medicaid Services (DMS), in accordance with 42 CFR 447.205, hereby provides public notice of changes to the Disproportionate Share Hospital Distribution (DSH) language in its state plan effective Dec. 21, 2017.

The state plan language will be changed to align with KRS 205.639 to 205.641 to reflect that the DSH distribution to an eligible hospital is calculated by:

1) Multiplying the final SFY 2013-2014 indigent share factor by the total fund allocated to the acute care pool. The 2013-2014 indigent share factors were determined by:

- a. Determining a hospital's average reimbursement per discharge;
- b. Dividing the hospital's average reimbursement per discharge by Medicaid days per discharge;
- c. Multiplying the amount established in paragraph b. by the hospital's total number of inpatient indigent care days for the most recently completed state fiscal year to establish the hospital's inpatient indigent care cost for purposes of this section;
- d. Determining an in-state hospital's outpatient indigent care cost for purposes of this section by multiplying each in-state hospital's indigent outpatient charges by the most recent cost-to-charge ratio used by the Department of Labor in accordance with 803 KAR 25:091 (Published Oct. 25, 2011);
- e. Combining the inpatient indigent care cost established in paragraph (c) with the outpatient indigent care cost established in paragraph (d) to establish a hospital's indigent care cost total; and
- f. Comparing the total indigent care cost for each DRG-reimbursed hospital to the indigent care costs of all hospitals receiving DSH distributions under the acute care pool to establish a DSH distribution on a pro rata basis:

(1) Annual distribution to acute care hospitals shall be calculated by multiplying the final SFY 2013-2014 indigent care factor by the total fund allocated to the acute care pool.

2) Disproportionate Share Hospital Distribution to a critical access hospital, rehabilitation hospital or long-term acute care hospital. The department shall determine a DSH distribution to a critical access hospital, rehabilitation hospital, or long-term acute care hospital by:

a. Multiplying the final SFY 2013-2014 indigent share factor by the total fund allocated to the acute care pool. The 2013-2014 indigent share factors were determined by:

(1) Multiplying the hospital's per diem rate in effect as of Aug. 1 of the state fiscal year period included in the state fiscal year period referenced in subsection (2) of this section by its total number of inpatient indigent care days for the preceding state fiscal year to establish the hospital's inpatient indigent care cost; and

B. Determining an in-state hospital's outpatient indigent care cost by multiplying each in-state hospital's indigent outpatient charges by the most recent cost-to-charge ratio used by the Department of Labor in accordance with 803 KAR 25:091;

c. Combining the inpatient indigent care cost established in paragraph (a) with the outpatient indigent care cost established in paragraph (b) to establish a hospital's indigent care cost total; and

d. Comparing the indigent care cost totals for each critical access hospital, rehabilitation hospital and long-term acute care hospital to the indigent care costs of all hospitals receiving DSH distributions from the acute care pool pursuant to state statute establishing a hospital's DSH distribution on a pro rata basis.

(1) Annual distribution to critical access hospitals, rehabilitation hospitals or long-term acute care hospitals shall be calculated by multiplying the final SFY 2013-2014 indigent care factor by the total fund allocated to the acute care pool.

3) Disproportionate Share Hospital Distribution to a private psychiatric hospital. The department shall determine a DSH distribution to a private psychiatric hospital by:

a. Multiplying the final SFY 2013-2014 indigent share factor by the total fund allocated to the private psychiatric pool. The 2013-2014 indigent share factors were determined by:

(1) Multiplying the hospital's per diem rate in effect as of Aug. 1 of the state fiscal year period included in the state fiscal year period referenced in subsection 2 of this section by its total number of inpatient indigent care days for the preceding state fiscal year to establish the hospital's inpatient indigent care cost; and

(2) Determining an in-state hospital's outpatient indigent care cost by multiplying each in-state hospital's indigent outpatient charges by the most recent cost-to-charge by the Department of Labor in accordance with 803 KAR 25:091 (published Oct. 25, 2011) or by establishing an inpatient equivalency;

(3) Combining the inpatient indigent care cost established in paragraph (a) with the outpatient indigent care cost established in paragraph (b) to establish a hospital's indigent care cost total; and

(4) Comparing the indigent care cost totals of each private psychiatric hospital to establish, using the DSH funding allocated to private psychiatric hospitals, a private psychiatric hospital's DSH distribution on a pro rata basis.

a) Annual distribution to private psychiatric hospitals shall be calculated by multiplying the final SFY 2013-2014 indigent care factor by the total fund allocated to the private psychiatric pool.

### **Necessity**

DMS is making this change to the state plan to align with Kentucky statutes.

**Fiscal Impact:** DMS has determined there is no fiscal impact as the amount distributed to each hospital remains the same.

Copies of this notice are available for public review at each county's Department for Community Based Services office and [online](#). For the address of the local office, please see [online index](#). Additional information regarding these proposed actions is available upon request at the address listed below.

### **Public Comment**

A copy of this notice is available for public review at the Department for Medicaid Services at the address listed below. Comments or inquiries may be submitted in writing within 30 days to:

Commissioner's Office  
Department for Medicaid Services, 6W-A  
275 E. Main Street  
Frankfort, Kentucky 40621